

Message Text

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TAGS: EGEN, ECON, XC, XE, XP

SUBJECT: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
AUGUST 16, 1977

1. US-ASEAN CONSULTATIONS (SECRET)

ASEAN HAS RAISED THE LEVEL OF REPRESENTATION AT THE
US-ASEAN TALKS TO THE MINISTERIAL LEVEL. SECRETARY ROMULO
WILL LEAD THE ASEAN SIDE, SEVERAL PHILIPPINE ECONOMIC
MINISTERS WILL PARTICIPATE AND ALL THE OTHER ASEAN
DELEGATIONS WITH THE EXCEPTION OF THAILAND WILL BE LED
BY AN ECONOMIC MINISTER. IN LIGHT OF THIS WE ARE
DISCUSSING WITH UNDER SECRETARY COOPER TO CHANGE HIS PLANS
AND TO LEAD THE US DELEGATION. WE EXPECT TO HAVE A CABLE
OUT TODAY ASKING ASEAN TO POSTPONE THE MEETING BY ONE DAY
TO START ON SEPTEMBER 8.

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WE STILL HAVE VERY LITTLE INPUT FROM THE ASEAN SIDE AS
TO WHAT THEY ARE LIKELY TO RAISE, EXCEPT THAT THE MULTI-
FIBER TEXTILE AGREEMENT HAS NOW BEEN ADDED TO THE TOPICS
WHICH ASEAN WILL WANT TO DISCUSS WITH US. FROM OTHER
SOURCES WE SURMISE THAT SETTLING OF INVESTMENT DISPUTES
AND US ATTITUDES TOWARD IBRD LENDING IN THE MINERALS AND

ENERGY FIELD MIGHT BE ADDED TO THE TOPICS UNDER THE AGENDA.

WE ALSO LEARNED THAT ECONOMIC MINISTERS DISCUSSED IN KUALA LUMPUR THE ASEAN SEMINAR SPONSORED BY THE ASIA SOCIETY IN NEW YORK IN OCTOBER AND THAT THEY HAVE AGREED THAT PARTICIPATION FROM REPRESENTATIVES FROM ASEAN COUNTRIES WOULD PROMOTE THE INTEREST OF ASEAN IN THE US.

2. ASEAN PREFERENTIAL TRADING ARRANGEMENTS AND THE US-THAILAND FCN TREATY (CONFIDENTIAL)

NOW THAT THE ASEAN AGREEMENT ON PREFERENTIAL TRADING ARRANGEMENTS (PTA) HAS BEEN RATIFIED, WE EXPECT ASEAN TO CONSULT WITH THE GATT FOR AN EXCEPTION TO THE MOST-FAVORED-NATION RULE. THE PTA MAY ALSO CONFLICT WITH THE MOST-FAVORED NATION PROVISION (ARTICLE VIII) OF THE TREATY ON AMITY AND ECONOMIC RELATIONS BETWEEN THE US AND THAILAND. WE ARE DISCUSSING POSSIBLE WAYS TO RESOLVE THIS PROBLEM WITH THE LEGAL ADVISER'S OFFICE.

3. ASIAN DEVELOPMENT BANK

A) SITE OF ELEVENTH ADB ANNUAL MEETING (CONFIDENTIAL)

THE AUSTRIAN GOVERNMENT IS PREPARED TO EXTEND AN INVITATION TO HOST THE SUBJECT MEETING IN VIENNA OR SALZBURG
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APRIL 24-26, 1978. THE EXECUTIVE DIRECTORS ARE EXPECTED TO ACCEPT WITHIN A DAY OR TWO. THE AUSTRIAN INVITATION OBVIATES THE NEED FOR A US DECISION ON WHETHER TO HOST THE 1978 MEETING ON THE WEST COAST, BUT IT LEAVES UNRESOLVED THE DIFFICULTY OF WHERE THE ADB MIGHT HOLD FUTURE ANNUAL MEETINGS IN THE REGION OTHER THAN MANILA.

B) PROSPECTIVE US VICE PRESIDENT AT ADB (LOU)

ADB PRESIDENT YOSHIDA HAS PROPOSED TO US A PLAN TO GIVE US A VICE PRESIDENCY ON THE BANK. AN INDIAN FINANCE MINISTRY OFFICIAL, A.T. BAMBAWALI, WOULD BE APPOINTED SENIOR VICE PRESIDENT AND BE RESPONSIBLE FOR DEVELOPMENT OPERATIONS OF THE BANK. THE SECOND VP "FROM A MAJOR DONOR COUNTRY" WOULD BE RESPONSIBLE FOR ADF REPLENISHMENT, LOAN FLOTATIONS OF THE BANK, AND OTHER GENERAL FINANCIAL ACTIVITIES INCLUDING BUDGET AND ADMINISTRATION. YOSHIDA ASKED US TO COME UP WITH A CANDIDATE QUICKLY, SO THAT THE POSITION COULD BE CREATED WITH THAT CANDIDATE IN MIND WHO "JUST HAPPENED" TO BE FROM THE US.

C) THE ADB AND ASEAN INDUSTRIAL PROJECTS (UNCLASSIFIED)

IN A SPEECH TO ASEAN JOURNALISTS, ADB PRESIDENT YOSHIDA

REMARKED CAUTIOUSLY ON THE ASEAN INDUSTRIAL PROJECTS. AFTER POINTING OUT THAT THE ADB HAD ALREADY AGREED TO TECHNICAL ASSISTANCE FOR A FEASIBILITY STUDY OF THE THAI SODA ASH PROJECT, YOSHIDA CAUTIONED THAT THE BANK'S NEED TO SATISFY ITSELF ABOUT VIABILITY AND OTHER LENDING CRITERIA WOULD BE NO LESS MANDATORY FOR A REGIONAL THAN A NATIONAL PROJECT. HE STATED FURTHER THAT SINCE THE ASEAN INDUSTRIAL PROJECTS ARE LARGE, THE ADB COULD AT BEST BE ONLY ONE OF SEVERAL CO-LENDERS, ALTHOUGH IT MIGHT PLAY THE ROLE OF COORDINATOR.

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D) SPECIAL MEETING ON SECOND REPLENISHMENT OF ADF
(ADF III) (LIMITED OFFICIAL USE)

THE SUBJECT MEETING HAS BEEN MOVED UP SLIGHTLY TO
OCTOBER 20-21 AND WILL BE IN KYOTO.

4. WITTEVEEN FACILITY (LIMITED OFFICIAL USE)

REPRESENTATIVES OF DONOR NATIONS MET IN PARIS AUGUST 6 TO DISCUSS AMOUNTS, TERMS, AND CONDITIONS OF COMMITMENTS TO LEND TO THE IMF'S NEW SUPPLEMENTARY CREDIT FACILITY (UNOFFICIALLY, THE WITTEVEEN FACILITY). THE AMOUNTS PLEDGED OR EXPECTED SHORTLY TOTAL SLIGHTLY OVER 10 BILLION DOLLARS, OF WHICH JUST OVER HALF IS FROM INDUSTRIALIZED NATIONS (US: 1.7 BILLION), AND THE REMAINDER FROM OPEC. THIS, HOWEVER, IS STILL SUBSTANTIALLY LESS THAN THE ORIGINAL PLAN FOR 17.5 BILLION DOLLARS.

LOANS WOULD BE GIVEN TO COUNTRIES WITH BALANCE OF PAYMENTS DIFFICULTIES FOR 3.5 TO 7 YEARS AT THE INTEREST RATE FOR 5-YEAR US TREASURY NOTES ROUNDED UPWARD (7 PERCENT THROUGH 6/30/78). RECIPIENT COUNTRIES WOULD HAVE TO AGREE TO UPPER CREDIT TRANCHE (THIRD OR FOURTH) IMF STAND-BY AGREEMENTS. AT OPEC INITIATIVE, IT WAS AGREED THAT A FAIR AND SUBSTANTIAL SHARE WOULD GO TO NON-INDUSTRIALIZED MEMBERS.

THE LATTER TWO POINTS COULD LEAD TO PROBLEMS IN PRACTICE BECAUSE INDUSTRIALIZED NATIONS WILL USUALLY SUBJECT THEMSELVES TO THE STRICTURES OF THE STAND-BY ARRANGEMENT REQUISITE FOR THE HIGHER CREDIT TRANCHEs, BUT DEVELOPING COUNTRIES ARE GENERALLY LESS WILLING. ANOTHER DRAWBACK
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IS THAT ESTABLISHMENT OF THE WITTEVEEN FACILITY HAS PROBABLY FORECLOSED THE CHANCES OF THE OECD FINANCIAL SUPPORT FUND FOR SURVIVAL, WHICH WILL EMBARRASS THE JAPANESE GOVERNMENT AND NOT ELIMINATE ATTEMPTS BY SOME EUROPEAN GOVERNMENTS TO REVIVE IT.

5. UNCTAD AND DEBT (CONFIDENTIAL)

THE UNCTAD TRADE AND DEVELOPMENT BOARD WILL MEET IN GENEVA SEPTEMBER 5-9 AND WILL HIGHLIGHT THE ISSUE OF LDC INDEBTEDNESS. THE US IS CONCERNED THAT THE GROUP B COUNTRIES WILL BE PLACED IN A "NO WIN" SITUATION: WE WILL BE PRESSED INTO MAKING MAJOR CONCESSIONS ON WHAT IS ALREADY A FORTHCOMING US-EC CIEC PROPOSAL WHILE IN NO WAY DIMINISHING THE OTHER RADICAL DEMANDS OF THE G-77 FOR ADDITIONAL GENERALIZED DEBT RELIEF. WE ARE CONSULTING WITH OTHER GROUP B COUNTRIES TO LINE UP THEIR SUPPORT TO LIMIT UNCTAD'S ROLE SO THAT CONSTRUCTIVE DIALOGUE ON THE DEBT ISSUE IN THE IMF-IBRD DEVELOPMENT COMMITTEE IS NOT IMPEDED.

6. JAPANESE TVS (UNCLASSIFIED)

THE INTERNATIONAL TRADE COMMISSION (ITC) HAS ISSUED A CONSENT ORDER TERMINATING THE SECTION 337 CASE (UNFAIR METHODS OF COMPETITION) AGAINST 12 JAPANESE COLOR TELEVISION FIRMS. UNDER THE CONSENT ORDER, THE JAPANESE FIRMS, WHILE ADMITTING NO PAST OR PRESENT VIOLATION, UNDERTAKE IN THE FUTURE TO REFRAIN FROM VIOLATING SECTION 337. THE ITC WILL MONITOR JAPANESE COMPLIANCE FOR FIVE YEARS.

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